

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

NOTICE OF MARKET-DOMINANT PRICE
ADJUSTMENT AND CLASSIFICATION CHANGES
RELATED TO MOVE UPDATE ASSESSMENT

Docket No. R2017-7

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 4**
(July 26, 2017)

The Postal Service hereby files its response to Chairman's Information Request (CHIR) No. 4, issued on July 20, 2017. The questions are stated verbatim and followed by the responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1. Please refer to USPS-LR-R2017-7-4, Excel File "Move Update Census Data.xlsx," tab "MERLIN Fee-Paying Mailings."
 - a. Please confirm that this file includes only mailings that were both selected by the Performance-Based-Verification (PBV) test and charged a Move Update assessment using the MERLIN method. If not confirmed, please explain the subset of mailings used for this tab.
 - b. Please describe a scenario in which a mailing selected by the PBV test, but not charged an assessment under the MERLIN method, would be charged an assessment under the Census method. If this scenario is impossible, please explain why.

RESPONSE:

- a. Confirmed. The Postal Service notes, however, that the tab includes 13 mailings that were selected by the PBV test and incorrectly charged the Move Update assessment charge on every mailpiece. Because those mailers did not indicate a Move Update method on their postage statements, the mailings either should have been rejected by the acceptance clerks or entered without presortation discounts. These mailings incurred an average Move Update assessment of \$30, with one assessment equaling \$100, and all 12 others falling below \$40.
- b. This scenario is possible. Hypothetically, the sample from a PBV-selected mailing might not represent the total change of address (COA) errors in the mailing, resulting in a sample with COA errors that falls below the MERLIN error threshold, for a total mailing that surpasses the proposed Census error threshold. For instance, consider yet again a commercial First-Class Mail letters mailing of 100,000 pieces with a PBV sample size of 1,000 pieces, of which 15 of those 1,000 pieces correspond to a COA order. If 4 pieces have a COA error of the 15 that correspond to a COA order, then the ratio of pieces with COA errors to the total number of pieces for which a COA order exists in the sample is below the 30 percent MERLIN error threshold ($4/15 \times 100 = 26.7$ percent). So there would

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be no MERLIN assessment. The total 100,000 piece mailing, in contrast, may contain 600 pieces with COA errors. Recall that under the Census method, the ratio of pieces submitted in a calendar month with COA errors to all Census-qualifying pieces submitted by the mailer in the calendar month would be judged against the proposed error threshold of 0.5 percent. Assuming the mailer submits only this one 100,000-piece mailing during the calendar month, the mailing would exceed the Census error threshold by 0.1 percent ($600/100,000 \times 100 = 0.6$ percent). Accordingly, 100 pieces ($0.006 - 0.005 = 0.001 \times 100,000$ pieces) would be assessed the proposed Move Update assessment charge of \$0.08, resulting in a Move Update assessment of \$8.

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2. Please provide the following information. If responsive data are not available, please explain why they are not available (for example, the scenario presented is impossible, as may be the case for question 1(b)) and the obstacles to obtaining such data.
- a. The number of mailings selected by the PBV test.
 - b. The number of mailings selected by the PBV test but not charged an assessment under the MERLIN method.
 - c. The number of mailpieces in mailings selected by the PBV test.
 - d. The number of mailpieces in mailings selected by the PBV test but not charged an assessment under the MERLIN method.
 - e. The number of mailings selected by the PBV test, but not charged an assessment under the MERLIN method, that would have been charged an assessment under the Census method.
 - f. The number of mailpieces in mailings selected by the PBV test, but not charged an assessment under the MERLIN method, that would have been charged an assessment under the Census method.

RESPONSE:

- a. 90,370 mailings were selected by the PBV test for MERLIN verification during the hybrid year, or 90,314 unique Mailing Grp IDs; a mailer may present segments of a mailing group as multiple mailings.
- b. 89,436 mailings were selected by the PBV test but not charged an assessment under the MERLIN method during the hybrid year, or 89,380 unique Mailing Grp IDs; see explanation in response to 2(a).
- c. 15,888,979,403 pieces were in mailings selected by the PBV test for MERLIN verification during the hybrid year.
- d. 15,877,735,108 pieces were in mailings selected by the PBV test but not charged an assessment under the MERLIN method during the hybrid year.
- e. The Census method charges a quantity of pieces based on CRID level monthly aggregate performance against the proposed threshold. Under Census, pieces are charged irrespective of the mailings. Accordingly, the question cannot be answered.

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- f. 759,104 pieces (644,162 First-Class Mail, and 114,942 USPS Marketing Mail) in mailings selected by the PBV test and not charged an assessment under the MERLIN method during the hybrid year would have been charged an assessment under the Census method. The more appropriate calculation, though, is one that combines the Census method performance of all MERLIN sampled mailings (both charged and not charged) that contain Census-eligible pieces, since the assessment takes into account all pieces by each CRID in a calendar month. This calculation yields a total of 911,104 pieces that would have been charged under the Census method (783,341 First-Class Mail, and 127,763 USPS Marketing Mail). The Postal Service notes that simply combining the pieces from the "MERLIN Fee-Paying Mailings" that were also charged by the Census method (161,428 pieces) with the requested figure of 759,104 pieces (for a total of 920,532 pieces) would overstate the number of pieces that would have been charged under the Census method.

The Postal Service provides these figures to be responsive to the question, but maintains its concerns expressed in response to ChIR No. 2, question 2(c) about using the Scorecard data to determine how many pieces would have been charged under the Census method, except when the mailings were actually charged under MERLIN.¹

¹ See, e.g., Response of the United States Postal Service to Chairman's Information Request No. 2, Question 2(c)(iii), Docket No. R2017-7 (July, 19 2017), at 8 n.6.